



DLGF 101: ISDH Fall Health Officer Meeting

Department of Local Government Finance

Barry Wood, Assessment Division Director

October 27, 2010



DLGF Divisions

- Assessment
- Budget
- Communications
- Data Analysis
- Legal



DLGF Responsibilities

- Top Priority: On-Time Property Tax Bills – a joint effort with local county officials
- Ensures property tax assessment and local government budgeting follow Indiana law
- Publishes property tax assessment rules
- Annually reviews and approves budgets, tax rates and levies



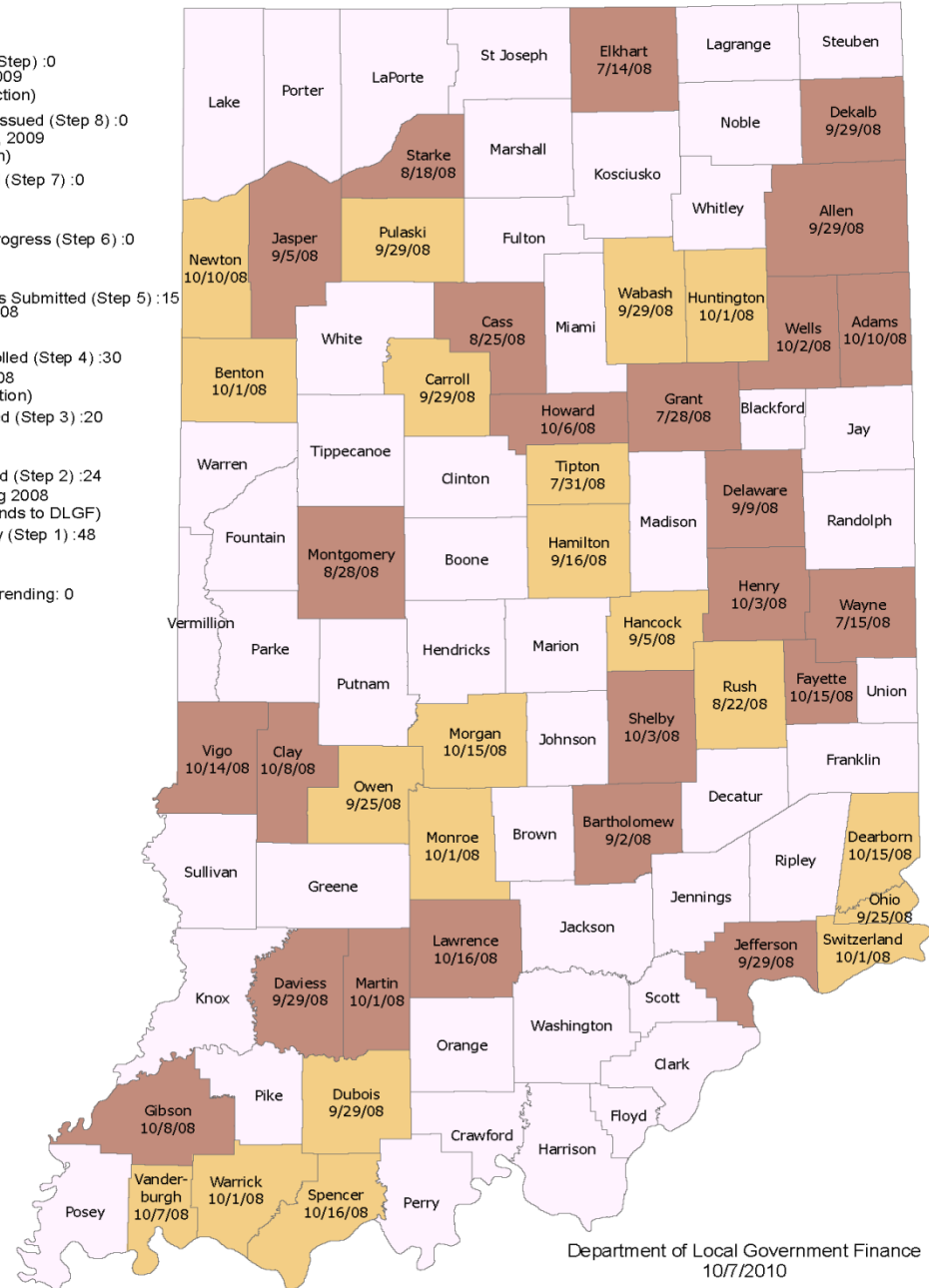
Progress: 2009 Billing As of October 19, 2008

2008 pay 2009 Budget Certification Status Map

As of October 19, 2008

Indiana Counties

- Tax Bills Due (Final Step) :0
Due May 10, 2009
(Co. Treasurer Action)
- Final Budget Order Issued (Step 8) :0
Due February 15, 2009
(DLGF Action)
- 1782 Notices Issued (Step 7) :0
(DLGF Action)
- Budget Review in Progress (Step 6) :0
(DLGF Action)
- Net Assessed Values Submitted (Step 5) :15
Due August 1, 2008
- Assessed Values Rolled (Step 4) :30
Due July 1, 2008
(Co. Assessor Action)
- Sales Ratio Approved (Step 3) :20
(DLGF Action)
- Sales Ratio Received (Step 2) :24
Due Spring 2008
(Co. Assessor sends to DLGF)
- Awaiting Ratio Study (Step 1) :48
- State is performing trending: 0



Department of Local Government Finance
10/7/2010



Progress: 2010 Billing

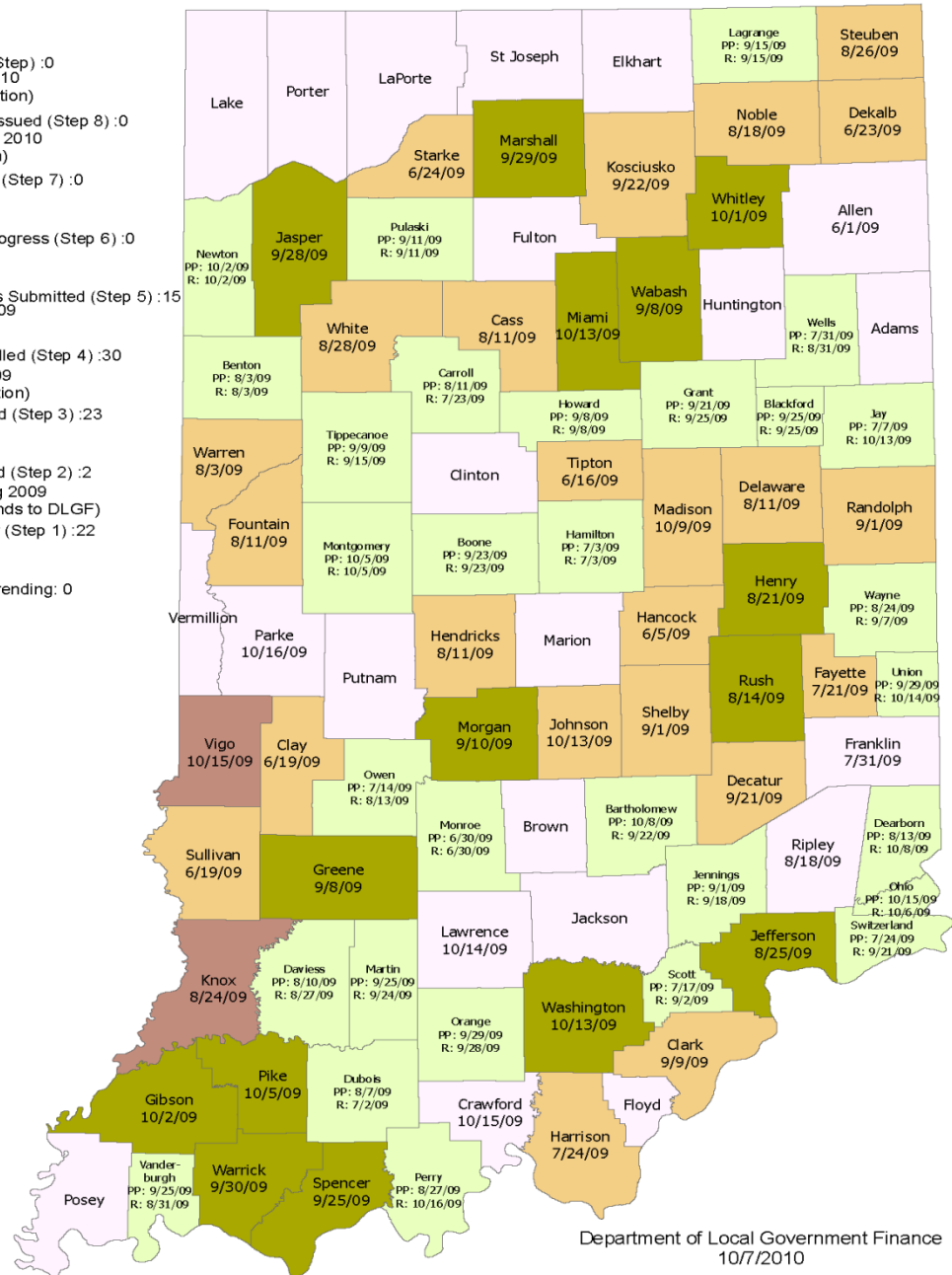
As of
October 19, 2009

2009 pay 2010 Budget Certification Status Map

As of October 19, 2009

Indiana Counties

- Tax Bills Due (Final Step) :0
Due May 10, 2010
(Co. Treasurer Action)
- Final Budget Order Issued (Step 8) :0
Due February 15, 2010
(DLGF Action)
- 1782 Notices Issued (Step 7) :0
(DLGF Action)
- Budget Review in Progress (Step 6) :0
(DLGF Action)
- Net Assessed Values Submitted (Step 5) :15
Due August 1, 2009
- Assessed Values Rolled (Step 4) :30
Due July 1, 2009
(Co. Assessor Action)
- Sales Ratio Approved (Step 3) :23
(DLGF Action)
- Sales Ratio Received (Step 2) :2
Due Spring 2009
(Co. Assessor sends to DLGF)
- Awaiting Ratio Study (Step 1) :22
- State is performing trending: 0



Department of Local Government Finance
10/7/2010



Progress: 2011 Billing October 14, 2010

2010 pay 2011 Budget Certification Status Map

Indiana Counties

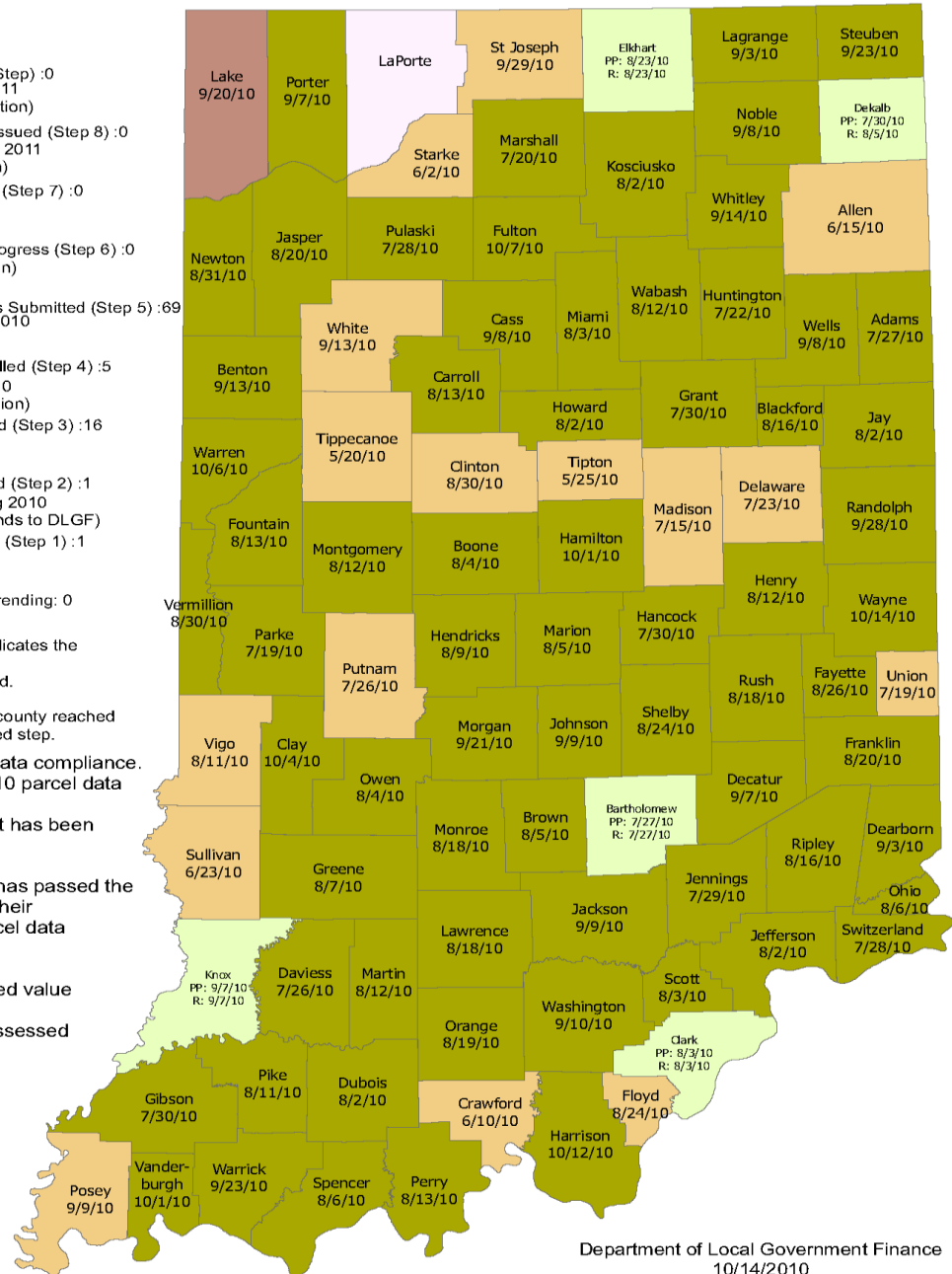
- Tax Bills Due (Final Step) :0
Due May 10, 2011
(Co. Treasurer Action)
- Final Budget Order Issued (Step 8) :0
Due February 15, 2011
(DLGF Action)
- 1782 Notices Issued (Step 7) :0
(DLGF Action)
- Budget Review in Progress (Step 6) :0
(DLGF Action)
- Net Assessed Values Submitted (Step 5) :69
Due August 1, 2010
- Assessed Values Rolled (Step 4) :5
Due July 1, 2010
(Co. Assessor Action)
- Sales Ratio Approved (Step 3) :16
(DLGF Action)
- Sales Ratio Received (Step 2) :1
Due Spring 2010
(Co. Assessor sends to DLGF)
- Awaiting Ratio Study (Step 1) :1
- State is performing trending: 0

NOTE: The current color indicates the previous step has been completed in full or approved.

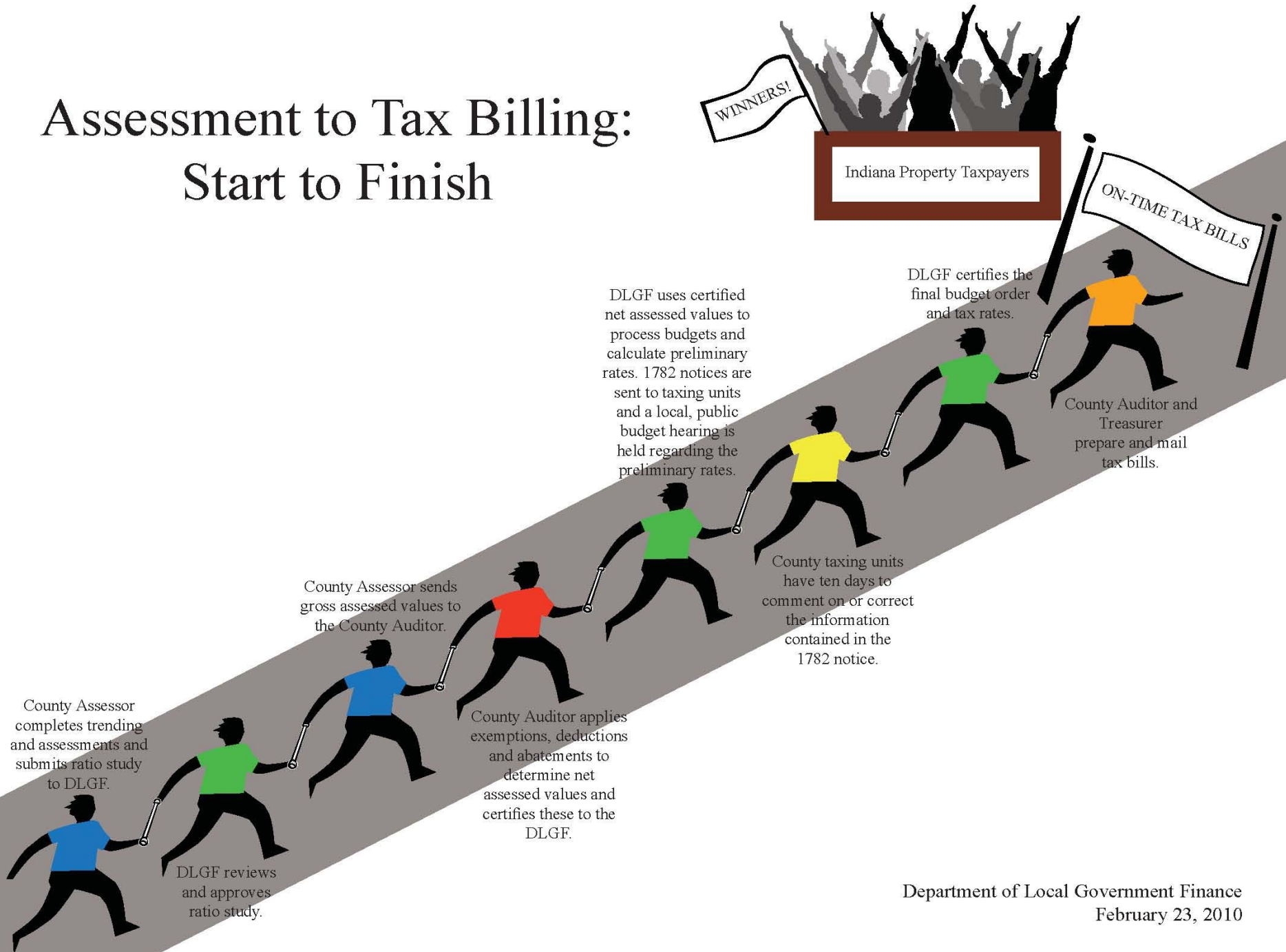
A date indicates the date a county reached their most recently completed step.
1 indicates 2009 Sales data compliance.
2 indicates 2009 pay 2010 parcel data compliance.
3 indicates 2010 abstract has been completed.

M-W indicates a county has passed the Mann-Whitney test and their submitted sales and parcel data sets are fully compliant.

R: Real property assessed value roll date
PP: Personal property assessed value roll date



Assessment to Tax Billing: Start to Finish





Assessment

- Director Barry Wood
- Assistant Director Carol Johns
- 4 Indianapolis-based team members
- 7 Field-based team members



What is reassessment?

Reassessment (IC 6-1.1-4-4(b))

- Assessors physically inspect each property to ensure that records are correct
- Inspection accomplishes the gathering of data appropriate to value the property
 - Does this property still have a free-standing garage and an in-ground pool?
 - Is the building on this property still 1,200 square feet or has it increased/decreased in size?
- Next statewide general reassessment scheduled to begin July 1, 2010 for 2012 and 2013 tax bills



What is trending?

Trending (*i.e. annual adjustment*)

- Property values are adjusted (the adjustment can be positive or negative) on an annual basis to bring them closer to market value-in-use. The assessing official uses sales of properties in a neighborhood, area, or class of property from the previous two (2) years to determine the adjustment factor.
- In the past, assessed values were adjusted only after a reassessment, which came as far apart as 10 years. Trending now occurs every year.



Reassessment vs. Trending

- Trending was implemented to supplement, not replace, the reassessments, which current law calls for every 5 years
- Without trending, reassessments resulted in dramatic shifts in assessed values because the values of properties were typically only adjusted during a reassessment year
- Trending requires the assessor to annually adjust the value of the property based on market value-in-use



How does trending work?

	Property Sales																	
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009			
Tax Year																		
2009 Pay 2010													2009 Pay 2010					
2008 Pay 2009												2008 Pay 2009						
2007 Pay 2008											2007 Pay 2008							
2006 Pay 2007 (3)										2006 Pay 2007 (3)								
2005 Pay 2006						No Sales from these years used; No change to 2001 Pay 2002 Values												
2004 Pay 2005																		
2003 Pay 2004																		
2002 Pay 2003 (2)				2002 Pay 2003 (2)														
2001 Pay 2002		Market Value did not apply; no change in values until 2002																
2000 Pay 2001																		
1999 Pay 2000																		
1998 Pay 1999																		
1997 Pay 1998																		
1996 Pay 1997																		
1995 Pay 1996 (1)	1995 Pay 1996 (1)																	

NOTES:

(1) Reassessment

(2) First use of Market Value

(3) First Annual Trending



How does trending work?

- Each year, the assessed value is multiplied by a neighborhood factor.
- Values can go up. . .

2008 assessed value:	\$100,000
Neighborhood factor:	<u>x 1.1</u>
2009 assessed value:	\$110,000



How does trending work?

- Each year, the assessed value is multiplied by a neighborhood factor.
- Values can go up. . .
...or down.

2008 assessed value:	\$100,000
Neighborhood factor:	x <u>0.9</u>
2009 assessed value:	\$90,000



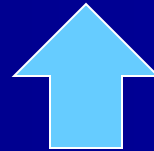
How does trending work?

- Whether values go up or down depends on recent sales prices:

Prices rise



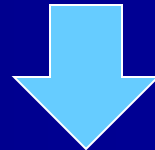
Factor rises



Prices fall



Factor falls





What is a Ratio Study?

- A comparison between sales and assessed values in the county to ensure that market values are being used to determine assessed values.
- Determines if assessments are accurate and equitable (mass appraisal basis).
- Standards can be found in 50 IAC 21.



What is a Ratio Study?

- **Accuracy**

It is measured by the median or average level of assessment for a class of property. For any class of property in a township, it should fall between 90% and 110%.

- **Equity**

It is measured by the coefficient of dispersion (COD). The COD should be $\leq 15\%$ on improved residential property and $\leq 20\%$ on all other classes.

- **Uniformity**

Tells whether low-value properties in a class are over- or under-valued in relation to high-value properties and is measured by price-related differential (PRD).



What is a Ratio Study?

- **Accuracy of Assessments**

Accuracy refers to how close the assessments determined by local assessing officials are to market value-in-use

- **Equity of Assessments**

Equity refers to how uniform assessments are within a class of property or geographic area

Assessments are done on a “Mass Appraisal” basis.



What is a Ratio Study?

- Accuracy and equity are measured by conducting a statistical analysis using an assessment ratio.
- **Assessed Value / Sale Price = Ratio**
 - Example 1: $\$60,000 / \$60,000 = 100\%$
 - Example 2: $\$54,000 / \$60,000 = 90\%$
 - Example 3: $\$66,000 / \$60,000 = 110\%$



What is Sales Chasing, and why is it bad?

■ Sales Chasing

Using the sale of a property to trigger a reappraisal of that property at or near the selling price (IAAO Standard on Ratio Studies, 2007).



What is Sales Chasing, and why is it bad?

■ Sales Chasing: Two Identical Houses

House 1



Assessment: \$100,000

House 2



Assessment: \$100,000



What is Sales Chasing, and why is it bad?

■ Sales Chasing: Two Identical Houses

House 1



Assessment: \$100,000
SOLD! For: \$130,000

House 2



Assessment: \$100,000
Did NOT Sell



What is Sales Chasing, and why is it bad?

■ Sales Chasing: Two Identical Houses

House 1



Assessment: \$100,000

SOLD! For: \$130,000

Re-assess: \$130,000

Pays more property taxes

House 2



Assessment: \$100,000

Did NOT Sell

Don't Re-assess: \$100,000

Pays same property taxes



What is Sales Chasing, and why is it bad?

■ Sales Chasing: Two Identical Houses

House 1



Re-assess: \$130,000

House 2



Don't Re-assess: \$100,000

TAX BASE IS SHORT \$30,000!



Who handles property tax appeals?

- Assessors and Property Tax Assessment Board of Appeal (PTABOA) handle appeals at the local level.
- The Indiana Board of Tax Review (IBTR) is the state agency charged with deciding property tax assessment appeals.
- IBTR addresses appeals contesting:
 - Real property assessments
 - Personal property assessments
 - Denials or grants of exemptions, deductions and refunds.
- IBTR lacks jurisdiction to address appeals where taxpayers contest only their tax bill and not their property's assessment
- Property tax appeals process information can be found on the Web site, <http://www.in.gov/dlgf/2508.htm>.



Data Analysis

- Director Courtney Schaafsma
- Assistant Director Rabia Jermoumi, PhD
- 7 Indianapolis-based team members
 - 2 Data Analysts
 - 1 Statistician
 - 2 Application Systems Analysts
 - 1 Data Entry / Admin
 - 1 Jr. Tax Analyst (vacant)



Data Analysis

- Review four data sets:
 - Real Property
 - Personal Property
 - Sales Disclosure
 - Tax Billing
- “Compliant” = meets minimum standards allowing for the Department and LSA to analyze property tax data
 - Quality data is critical in allowing legislators to make educated policy decisions
 - Assessment Data in 2010



Budget

- Director Karen Large
- Assistant Director Dan Jones
- 6 Indianapolis-based team members
- 7 Field-based team members



Assessed Value/Tax Rate Relationship

- If spending stays the same....
 - When the assessed value of the district goes up, the tax rate will go down.
 - When the assessed value of the district goes down, the tax rate will go up.



Example 1 – AV Goes Up



Each contributes
25%



Each contributes
20%



Example 1 – AV Goes Down



**Each contributes
25%**



**Each contributes
33.3%**



Property Tax Relief

■ 2009:

- Circuit Breaker Caps took effect at 1.5%, 2.5% and 3.5%
- State assumed \$3 billion in local spending
- Sales tax increased by 1 cent
- Subsidy credits (property tax replacement and homestead) reduced
- Additional homestead deduction above \$45k

■ 2010:

- Caps dropped to 1%, 2% and 3%
- General Assembly voted to place question on ballot

■ 2011:

- Caps become part of constitution



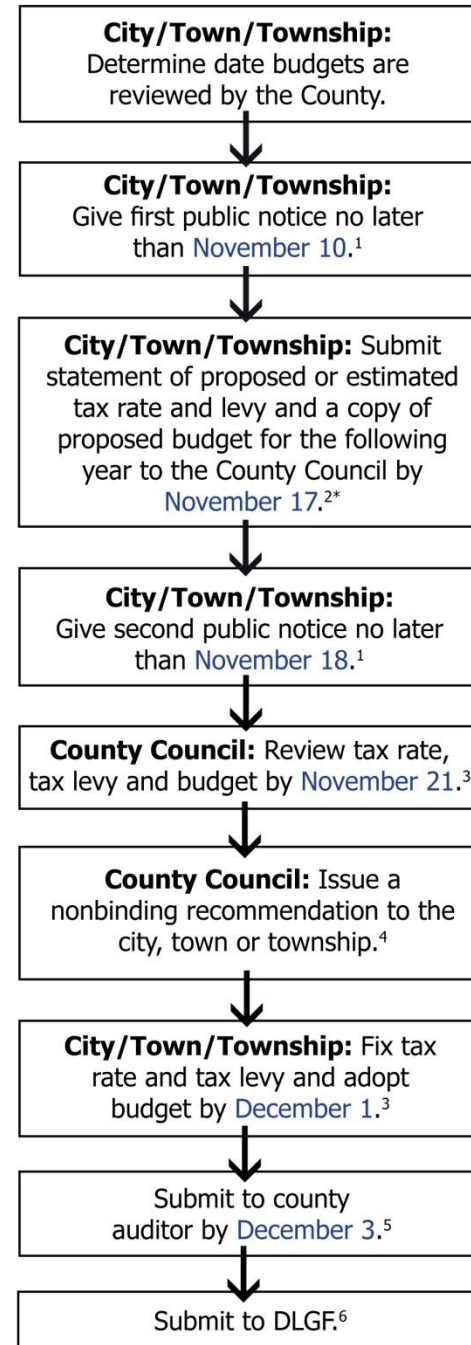
How does the budget

process work?

Footnotes available on
flowchart located at
<http://www.in.gov/dlgf/7176.htm>

* Timeline based on
December 1, 2008 budget
adoption deadline for 2009
local budgets.

City, Town and Township Budget Approval Process





What is a 1782 notice/period?

- DLGF gives political subdivision written notice of any revision, reduction or increase proposed in the subdivision's tax levy or rate.
- Political Subdivision has 2 weeks to respond to the DLGF.
- DLGF considers the adjustments as specified in the response and delivers a final decision to the political subdivision.



What is the growth quotient?

- Calculated by State Budget Agency
- Assessed Valuation Growth Quotient for property tax levies due and payable in calendar year 2009 is 4.000%
- Based on the six-year average statewide growth in Indiana Non-Farm Personal Income
- IC 6-1.1-18.5-2(b)



How many local option income taxes are there, and how do they work?

■ CAGIT (County Adjusted Gross Income Tax)

- Funds Local Property Tax Replacement Credits (LPTRC) and certified shares
- LPTRC are used by all government units for property tax relief
- Certified shares are used only by civil taxing units for additional property tax relief and for general government purposes

■ COIT (County Option Income Tax)

- Can replace property tax revenue lost by taxing units and school corporations due to the allowance of an increased homestead credit
- Can fund the operation of public communications systems and computer facilities districts
- Can fund the operation of public transportation corporations
- Can finance certain economic development project bonds
- In Marion County, can fund certain redevelopment initiatives
- Can be used to make allocations of distributive shares to civil taxing units



How many local option income taxes are there, and how do they work?

■ CEDIT (County Economic Development Income Tax)

- Used for economic development projects or hazardous waste cleanup in certain counties
- Counties with CAGIT and COIT, may use CEDIT revenues for capital projects.
- A portion of revenues may be used to provide additional Homestead Credits up to the total amount of the residential tax shift in the county resulting from a 100% inventory deduction.



How many local option income taxes are there, and how do they work?

- LOIT (Local Option Income Tax)
 - LOIT to Freeze Property Tax Levy
 - Provide property tax relief to all taxpayers
 - Provide property tax relief to all qualified residential taxpayers
 - Provide homestead credits to all homesteaders
 - Provide any combination of the above
 - LOIT for Property Tax Relief
 - Same as CAGIT or COIT
 - LOIT for Public Safety
 - Same as CAGIT or COIT



What is a TIF, and how does it work?

■ Tax Increment Financing (TIF)

Alternative technique for implementing a local redevelopment, industrial, or economic development program.

- It diverts a portion of collected revenues to uses specified in the development plan.
- When the plan is implemented, taxing authorities receive both the base level and increments.
- Independent from local general funds, fee-based methods and grants.



What is the DUAB, and what kind of relief can it give units?

■ Distress Unit Appeals Board

Established to receive petitions from political subdivisions that are expected to have a reduction in their property tax collections of at least 5% in a calendar year as a result of the Circuit Breaker caps on property tax bills.



What is the DUAB, and what kind of relief can it give units?

■ DUAB Options for Relief

- Increase percentage thresholds (specified as a percentage of gross assessed value) at which the Circuit Breaker credit applies to a person's property tax liability
- Provide for percentage reductions to Circuit Breaker credits in the political subdivision
- Provide that some or all of the property taxes being imposed to pay bonds, leases or other debt obligations and otherwise included in the calculation of the Circuit Breaker credit will not be included for purposes of calculating a person's Circuit Breaker credit

IC 6-1.1-20.3-8(b)



Contact The Department

- **Barry Wood, Assessment Division Director**
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 - Telephone: 317.232.3762
- Web site: www.in.gov/dlgf
 - “Contact Us”:
www.in.gov/dlgf/2338.htm